

September 14, 2005

Mary L. Cottrell, Secretary
Massachusetts Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

Re: *Investigation re: Discount Program Penetration Rate*, D.T.E. 01-106-B; *NSTAR Electric*, D.T.E. 05-55; and *Massachusetts Electric Company*, D.T.E. 05-56.

Dear Secretary Cottrell:

On August 8, 2003, the Department of Telecommunications and Energy (the “Department”) issued an order establishing a computer matching program for electric and gas distribution companies to facilitate the enrollment of eligible customers in utility discount rate programs. D.T.E. 01-106-A. Because electric and gas distribution companies may incur a decrease in revenues from increased participation in the computer matching program, the Department found it was appropriate to establish a reconciliation mechanism to recover any resulting revenue shortfall. D.T.E. 01-106-B, p. 9.

Pursuant to the Department’s order, NSTAR Electric and Massachusetts Electric Company and Nantucket Electric Company (“MECo”) (together, the “Companies”) both filed tariffs¹ which would allow the Companies to recover costs related to the low-income discount rate computer matching program. On August 30, 2005, the Department suspended the proposed tariffs for investigation and consolidated the investigation of these tariffs, D.T.E. 05-55 and D.T.E. 05-56, with its investigation of electric and gas company compliance with the directives contained in D.T.E. 01-106-B. Pursuant to the Department’s Notice of Filing and Public Hearing, the Attorney General submits this letter as his comments on the proposed tariffs.

The Attorney General supports the efforts of the Department to increase participation in the low-income discount rate program, especially in light of recent experience with constantly rising volatile energy prices. In this docket, the Attorney General asks the Department, as part of approving reconciliation mechanisms to recover increased costs related to the low-income discount rate computer matching program, to standardize **both** the level/calculation of the low-

¹ The filing by NSTAR Electric was docketed as D.T.E. 05-55 and the MECo filing was docketed as D.T.E. 05-56.

income discount as well as the methodology for collection of the discount for all gas and electric companies.

Despite the Department's efforts to standardize the low-income discount rate, there appears to be considerable discretion left to distribution companies with regard to the determination of the value of the low-income discount rate. As a result, disparities are apparent in the value of the discount rate in different service territories across the Commonwealth. Such disparities are akin to discrimination based on economic status and location. It is fundamentally unfair that a low-income customer in one utility's service territory receives a 40 percent discount on the base rate portion of the bill, while a similarly situated customer in another utility's territory may receive a 20 percent discount as measured on an average test year level of base rate plus average gas costs. *See Boston Gas Company*, D.T.E. 03-40, p. 388 and *Bay State Gas Company*, D.T.E. 05-27, Exh. BSG/JAF-2, p.12. Moreover, it is similarly unfair to require the ratepayers of other rate classes be required to subsidize a higher or lower discount rate depending on which distribution service territory the ratepayer resides.

Low-income discount rates should, as a matter of public policy and administrative efficiency, be uniform and provide a similar, flat, low-income discount rate. The Department should avoid the inequities that result from disparities in the receipt of a statutorily mandated discount rate and insure that all gas and electric companies adopt a uniform low-income discount. In this docket, the Department should determine:

- the most equitable level of low-income discount, based on balancing the burden from any increase to the discount level borne by all other customers along with the rising commodity cost;
- whether the discount should continue to be fixed and only relate to base rates or whether it should be expanded to include the cost of energy;
- apply these determinations to all electric and gas companies.

The Department should act quickly to permit utilities to implement any new programs at the beginning of the winter, one which promises further erosion of the effectiveness of the residential discount.

Sincerely,

Colleen McConnell
Assistant Attorney General

cc: Jeanne Voveris, Hearing Officer
Service List